

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1278 – SB 1205

April 13, 2011

SUMMARY OF AMENDMENT (006256): Deletes the original bill. Directs the Department of Economic and Community Development (ECD) and the Department of Environment and Conservation (TDEC) to study and develop, within existing resources, a plan to promote and develop adventure tourism and other activities in rural areas. Authorizes local governments, upon a two-thirds vote of the legislative body, to create an adventure tourism district by developing an adventure tourism plan. Requires local adventure tourism plans, upon adoption, to be submitted to ECD and the Department of Revenue (DOR) for joint approval as an adventure tourism district upon the determination by each respective Commissioner that the allocation of franchise and excise tax credits are in the best interest of the state. Authorizes local governments to submit an adventure tourism district plan, following approval as an adventure tourism district by DOR and ECD, for gross premiums and job tax credits. Requires the Department of Tourist Development to promote adventure tourism districts within the existing resources of the department. Authorizes any entity engaged in business within an adventure tourism district to display signage warning that adventure tourism professionals are not liable for injury or death of a participant in adventure tourism activities. Authorizes off-highway vehicles to be driven on any street or highway designated for such purpose and within the boundaries of an adventure tourism district. Authorizes a local government to regulate the operation of any all-terrain vehicle crossing of a street, road, or highway solely under its jurisdiction. Requires operators and passengers of all-terrain vehicles to wear a helmet while on a street, road or highway with violators punished by fine only. Authorizes qualified business enterprises located in designated adventure tourism development districts to receive annual tax credits of \$4,500 for each qualified job for a period of three years beginning with the first tax year after the initial job tax credit is created. Authorizes the annual credit to be used to offset up to 100 percent of the taxpayer's franchise and excise tax liability for such year. Prohibits unused credits from being carried forward beyond the year in which the credit originated.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$57,600/One-Time

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Forgone State Revenue – Exceeds \$500,000

Increase State Expenditures – \$57,600/One-Time

Increase Local Revenue – Not Significant

Increase Local Expenditures – Not Significant

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Assumptions applied to amendment:

- Directing an agency to use existing resources to perform a new function does not eliminate the fiscal impact of performing the new function since a new function that has a cost will reduce the agency's reversion or will require creation of additional position to perform duties of staff who have been redirected to the new function.
- According to ECD, the expertise necessary to complete the study requirements in this bill do not exist within the department. The department will require one additional temporary staff person with a salary of \$33,835 and benefits of \$13,226 resulting in a one-time increase to state expenditures of \$47,061.
- Developing an adventure tourism plan will require travel for the department resulting in a one-time increase to state expenditures of \$10,566.
- The total one-time increase to state expenditures will be \$57,627 (\$47,061 + \$10,566).
- According to TDEC, there will not be a significant impact to staff or resources to cooperate in an adventure tourism study.
- According to the Department of Tourist Development, any adventure tourism districts would be promoted within the existing resources of the Department in conjunction with other recreational areas.
- Authorizing off-highway vehicles to be driven on any street or highway will not affect the operations of state or local government.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of local governments that will establish adventure tourism districts, the number of business enterprises within each district, the franchise and excise tax liability of each qualified business enterprise, the year in which credits will be originated, and the number of net new full-time jobs which would be created.
- Given that this bill as amended credits business enterprises with franchise and excise tax liability (revenue which is not currently being collected), and because the Commissioners of Revenue and ECD are required to make a determination that such credits are in the best interests of the state, the revenue impact to the state is considered to be forgone revenue.
- Given the extent of unknown factors mentioned above, determining a precise fiscal estimate for this bill as amended is difficult. However, the forgone revenue to the state is reasonably estimated to exceed \$500,000 per year.
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "James W. White" followed by a stylized flourish.

James W. White, Executive Director

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